Nova Scotia
Annual
Gaming Report
2004 - 2005
2005 - 2006

NOVA SCOTIA
Environment and Labour

2007-05426/

Dear Reader:

Presented herewith is the *Annual Gaming Report* pursuant to Sections 56 of the *Gaming Control Act* for the years ending March 31, 2005, and March 31, 2006, respectively.

The *Annual Gaming Report* covers the activities of the Alcohol and Gaming Division relative to the gaming industry during the 2004/2005 and 2005/2006 fiscal years, and explains its working mandate received from the *Gaming Control Act*- "to regulate and control casinos and other lottery schemes; and to administer this part in the public interest and in accordance with the principles of honesty and integrity."

Yours truly,

Mark Parent

The Honourable Mark Parent
Minister of Environment and Labour

Important note:

The figures in this report include results already reported by the Nova Scotia Gaming Corporation in its Annual Report. They differ because the Alcohol and Gaming Division uses "wager" as a base unit. This is the amount wagered, and does not reflect prize payouts or other expenses. The Gaming Corporation reports net revenue, which is total wagers less prize payouts.

Beginning with the 2004/2005 fiscal year, the gaming wager tables have been modified to include a line showing net revenue, to allow comparison with figures reported by the Nova Scotia Gaming Corporation. Figures presented in this report may vary from those report by the Nova Scotia Gaming Corporation due to data sources and other adjustments.

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ABOUT THE DIVISION

Mandate

The Nova Scotia Alcohol and Gaming Division (the Division) has the legislative responsibility to regulate and control gaming activities "in the public interest and in accordance with the principles of honesty and integrity."[1] The Division licenses and monitors the conduct of casinos, bingos, lotteries and other games of chance (except harness racing, and gaming activities conducted on Reserve Lands), to ensure that these games are carried out in the best social and economic interests of Nova Scotians. Furthermore, the Division studies public interests and reactions to gaming in Nova Scotia, and assesses the impacts emanating from this activity.

Workforce

With its head office located in Dartmouth, and a regional office in Sydney, the Alcohol and Gaming Division maintains a workforce around the province. In addition, a contingent of RCMP officers work under contract with the Alcohol and Gaming Division to conduct gaming supplier and employee security clearances.

CORE FUNCTIONS

Registration and Licensing

Pursuant to the *Gaming Control Act*, the Nova Scotia Alcohol and Gaming Division registers individuals and companies who supply goods and services to regulated gaming activities. During the 2005/2006 fiscal year, the Division's registry consisted of a total of 189 casino gaming, casino non-gaming, and bingo suppliers, compared to a total of 168 in 2004/2005.

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[1] *Gaming Control Act*. 1994-95, c. 4, s. 42.

The Division also conducts security checks on personnel related to the gaming industry, including all casino staff, employees of the Nova Scotia Gaming Corporation and the Alcohol and Gaming Division. Different levels of security clearances are applied, depending on one's position in an organization or the type of service one provides (i.e., suppliers of actual gambling equipment are held to a higher degree of scrutiny than the suppliers of non-gaming related supplies such as restaurant equipment). In 2004/2005, the Division conducted security checks on 669 casino employees, and on another 622 casino employees in 2005/2006.

The Alcohol and Gaming Division issues gaming licenses to organizations that raise funds for charitable purposes, including bingos, ticket lotteries (prize value over $500), and carnival games of chance. In addition, permits are issued for ticket lotteries with a prize value of less than $500. Licenses are issued in accordance with the provisions of the applicable regulations and policy, as established by the Alcohol and Gaming Division.

Gaming Registration Issuance		
	2005/2006	2004/2005
Casino Registrations		
Gaming supplier	20	15
Non-gaming supplier - exemption	134	125
Non-gaming supplier	32	26
Casino employees	843	1,054
Bingo Registrations		
Bingo supplier	3	2
TOTAL	1,032	1,222

Series bingo and ticket lottery licenses are issued to organizations wishing to carry on a series of regular events. Single licenses are issued for individual events. Games of chance events include commercial carnivals, fun-night Monte Carlo events, and games conducted during annual fairs and exhibitions.

Gaming License Issuance		
	2005/2006	2004/2005
Bingo	518	638
Ticket lottery	1,070	1,034
Permits	5,503	5,290
Break-open	45	90
Games of chance/carnival	171	135
TOTAL	7,307	7,187

Investigation and Enforcement

Investigation and Enforcement regularly inspects licensed premises to ensure that gaming activities comply with the applicable regulations. For example, video lottery play is checked for underage play and credit granting, and bingos are checked for such things as the proper use of bingo operating equipment. Furthermore, Investigation and Enforcement staff conduct inspections at the two casinos to ensure compliance with casino regulations and detailed internal control procedures. Investigation and Enforcement has a staff complement located throughout the province.

The Gaming Analyst Section of Investigation and Enforcement conducts regular as well as random testing of casino slot machine software to ensure each machine is compliant with the legislated minimum payout percentage, as well as other requirements. The Section also monitors payout percentages for video lottery terminals (VLTs) in liquor licensed premises in the province.

Investigation and Enforcement is also responsible for reviewing and making recommendations with respect to all approval requests from the casino operator pertaining to:

- casino surveillance and security systems;
- permitted games of chance played in casinos;
- Rules of Play; and
- slot machine installations, modifications, removals and relocations.

Gaming Inspections, Complaints, & Investigations 2004/2005

	Inspections	Complaints	Investigations
Bingo	400	58	12
Casino	52,440*	6	25**
VLT	12,950	1	5

* Includes 4,677 Technical Inspections
** Includes 8 Technical Investigations

Gaming Inspections, Complaints, & Investigations 2005/2006

	Inspections	Complaints	Investigations
Bingo	344	67	9
Casino	33,394*	4	22**
VLT	11,840	0	1

* Includes 1,218 Technical Inspections
** Includes 2 Technical Investigations

Gaming Research

The Alcohol and Gaming Division is responsible for studying the interest and reactions of the public towards gaming in Nova Scotia; and assessing the social, health, justice, economic, and environmental impacts of gaming in the province. Since 1995/1996, the Alcohol and Gaming Division has issued its *Annual Gaming Report*, representing a compilation and synthesis of gaming related research conducted in the province.

LOOKING BACK

In August 2004, the Office of Health Promotion released the "2003 Nova Scotia Gambling Prevalence Study," which showed that Nova Scotia had the lowest rate of problem gambling in the country. The study found that the majority (82.4 percent) of Nova Scotians who gamble are "no risk" gamblers, meaning they are at no risk of developing problems with gambling. Since 1993, the rate of problem gambling has remained stable at 2.1 per cent, or about 15,000 individuals. However, the rate of those who are at risk has increased to 4.8 per cent (35,000 individuals) from 3.1 per cent in 1993.

Nova Scotia has programs and services in place to help prevent problem gambling, and to assist families and individuals who are negatively affected by gambling. Among these is the Problem Gambling Help Line, which saw total volume increase by 9 percent to 3,675 calls in the 2004 calendar year, and a further 47 percent rise in 2005, to 5,410 calls.

The Nova Scotia Gaming Corporation has implemented many programs to advance responsible gaming in the province, including the annual Responsible Gaming Awareness Week, a responsible gambling conference in 2005, various initiatives intended to educate young people of the risks of gambling, and the "Play by Play" program designed to support responsible VLT play. Similarly, the Nova Scotia Gaming Foundation hosted a three-day international problem gambling conference, and also funds projects that help address problem gambling and its consequences through research, prevention, education and treatment.

Nova Scotia continues to research for new ways of combatting problem gambling. In 2004/2005, the Nova Scotia Gaming Corporation (NSGC) evaluated potential modifications to the

responsible gaming features for VLTs, and concluded that the enhancements would provi little additional benefit over existing responsible gaming features. In 2004, the NSGC funded a study which examined the concept of voluntary self-exclusion for VLT players, and found that such a program would be ineffective. The NSGC also initiated a study to evaluate the feasibility of a Responsible Gaming Device for VLTs, that allows players to track money and time spent on VLTs.

In July 2004, GPI Atlantic produced a literature review on the costs and benefits of gambling, for the Nova Scotia Gaming Foundation, which showed that problem gamblers have markedly higher rates of job loss, divorce, suicide, bankruptcy, poor physical and mental health, arrest and incarceration. GPI Atlantic is an independent, non-profit research organization, committed to the development of the Genuine Progress Index (GPI) - a measure of sustainability, well-being and quality of life. Subsequent to GPI's literature review, the Nova Scotia Gaming Foundation co-funded an inter-provincial, multi-year project headed by the Canadian Centre on Substance Abuse, to develop an internationally acceptable methodology for estimating the social and economic impacts of gambling.

Nova Scotia created its first comprehensive gaming strategy in 2004/2005 (released in April 2005), with goals to: reduce the number of problem gamblers, provide help to those who need it, reduce the reliance on video lottery revenue, and increase social responsibility and accountability of gaming in the province. The strategy contains a total of 23 initiatives, many of which focus on enhanced treatment and prevention programs and services. The strategy calls for the removal of 1,000 VLTs in the province, reducing the hours of VLT operations, removing the "stop" button on VLTs, and reducing the speed of games by 30 percent. In addition, the strategy identifies the need to establish a

comprehensive problem gambling strategy, and to commission a socio-economic study to assess the social costs and economic benefits of gaming to Nova Scotia.

Casino Nova Scotia was purchased by Great Canadian Gaming Corporation in May 2005. Amendments to the casino operating contract ensure that responsible gambling will be a priority in casino operations. In October 2005, a Responsible Gambling Resource Centre opened at the Halifax Casino, as an on-site source of responsible gaming and problem gambling information, resources, and contacts. In December 2005, casino regulations were amended to allow casinos to operate in line with industry standards, including: digital surveillance equipment, ticket-in/ticket-out technology, multi-denominational slots, and table game supervisory requirements.

In an effort to support local charities across the province, in 2006 the Nova Scotia Gaming Corporation introduced electronically linked bingo, which connects participating bingo halls and offers players larger jackpots for one game a night. Larger jackpots are intended to draw more players to enhance and revitalize the charitable gaming sector, with profits going directly to the participating charities.

PROVINCIAL GAMING ACTIVITY

Overview

The Nova Scotia Alcohol and Gaming Division is responsible for the regulation of legal gaming in this province. These gaming activities include video lottery terminals (VLTs), casinos, Atlantic Lottery Corporation (ALC) products, bingos and charitable ticket lotteries.

For the purpose of measuring the volume of gaming activities on a consistent basis, the Alcohol and Gaming Division uses the "wager" as a base unit. This figure represents the amount of money actually wagered on each gaming activity before prizes are awarded, operating expenses are deducted, and other assorted expenditures are accounted for. The wager for each type of gaming activity is defined in the following manner:

- cash deposited when referring to VLTs;
- cash deposited into casino slot machines plus the chips purchased for table games when referring to casinos;
- cash paid for the purchase of bingo cards when referring to bingo; and
- cash paid for the purchase of tickets when referring to ticket lotteries.

Beginning with the 2004/2005 fiscal year, the gaming wager tables have been modified to include a line showing net revenue (i.e., total wager less prizes), to allow comparison to figures reported by the Nova Scotia Gaming Corporation. Figures presented in this report may vary from those report by the Nova Scotia Gaming Corporation, due to data sources and other adjustments.

PROVINCIAL GAMING ACTIVITY

2004/2005

Fiscal Year 2004/2005

Total gaming wager in Nova Scotia rose 5.7 percent to $1.56 billion in 2004/2005. This figure includes wagers for VLTs, casinos, ALC lotteries, bingos and charitable lotteries, but excludes parimutuel betting (harness racing), and gaming activities conducted on Reserve Lands.

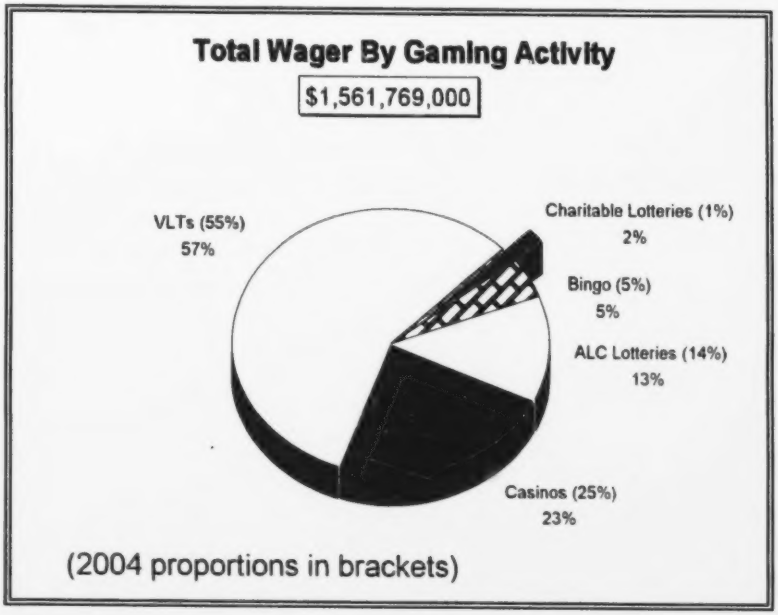
Total Wager By Gaming Activity
($ thousands)

	2005	2004	Change
VLTs	$895,076	$821,481	9.0%
Casinos	366,391	356,255	2.8%
ALC Lotteries	200,471	206,281	-2.8%
Bingo	73,076	75,817	-3.6%
Charitable Lotteries	26,755	17,745	50.8%
Total Wager	$1,561,769	$1,477,579	5.7%
Prizes	1,154,477	1,089,025	6.0%
Net Revenue	**$407,292**	**$388,554**	**4.8%**

The increase in total wager was largely due to a $74 million rise in VLT wager, constituting a 9.0 percent growth rate. The charitable lotteries wager posted a 50.8 percent increase on a year-over-year basis, up $9 million from 2003/2004. The casino wager increased $10 million, reflecting a 2.8 percent climb. On the other end of the spectrum, wagers on ALC lotteries and bingo fell 2.8 percent and 3.6 percent respectively.

In 2004/2005, VLTs accounted for 57.3 percent of the total wager in the province, up from 55.6 percent the year before. Conversely, the proportion of total wager earned by the casinos slipped to 23.5 percent, from 24.1 percent in 2003/2004. Likewise, ALC lotteries

represented 12.8 percent of the total wager, compared to 14.0 percent last year. The proportion of total wager earned by the bingos and charitable lotteries remained essentially unchanged on a year over year basis, at 4.7 and 1.7 percent respectively.

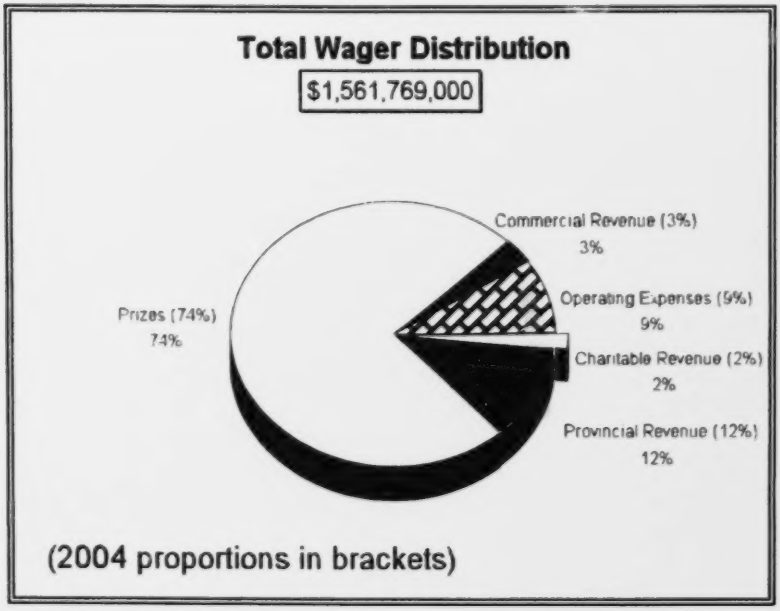


Of the total wager in 2004/2005, $1.15 billion went to gaming participants in the form of prizes, an increase of 6.0 percent from the prize payout of $1.09 billion in 2003/2004. Prizes accounted for 73.9 percent of the total wager in 2004/2005.

After prizes, $195.5 million of the total wager went to provincial revenue, constituting 12.5 percent of total wager. Another $53.1 million (3.4 percent) went to commercial revenue and $27.0 million (1.7 percent) to charitable revenue, while the remaining $131.6 (8.4 percent) million accounted for operating expenses.

Total Wager Distribution
($ thousands)

	2005	2004	Change
Total Wager	$1,561,769	$1,477,579	5.7%
Prizes	1,154,477	1,089,025	6.0%
Net Revenue	$407,292	$388,554	4.8%
Operating Expenses	131,645	130,568	0.8%
Commercial Revenue	53,154	52,677	0.9%
Charitable Revenue	26,960	22,960	17.4%
Provincial Revenue	**$195,533**	**$182,349**	**7.2%**



Video Lottery Terminals

The wager on video lottery terminals increased 9.0 percent to $895.1 million in 2004/2005, from $821.5 million in 2003/2004. The VLT wager accounted for 57.3 percent of the total provincial gaming wager in 2004/2005, compared to 55.6 percent the year before.

Prize payouts from VLTs totaled $694.8 million in 2004/2005, an increase of 8.8 percent over the previous year and represented 77.6 percent of the total VLT wager.

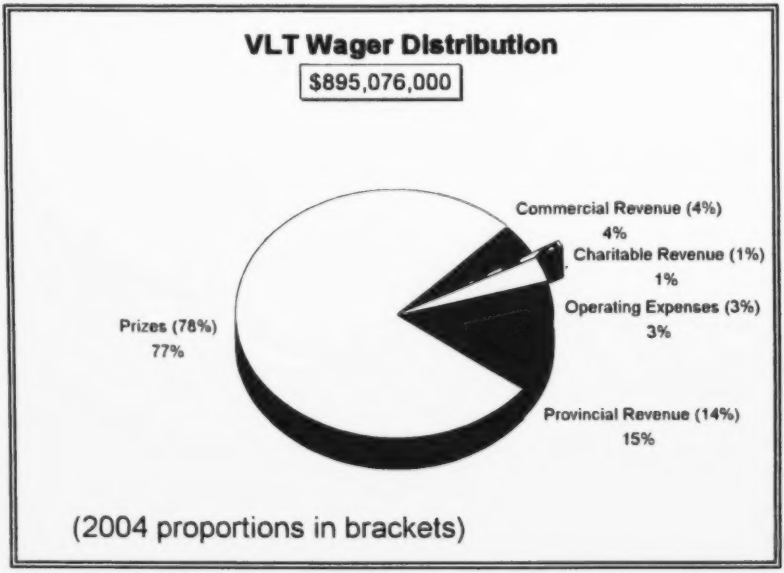
VLT Wager Distribution
($ thousands)

	2005	2004	Change
Total Wager	$895,076	$821,481	9.0%
Prizes	694,847	638,418	8.8%
Net Revenue	$200,229	$183,063	9.4%
Operating Expenses	$26,397	$25,858	2.1%
Commercial Revenue	34,756	32,779	6.0%
Charitable Revenue	6,521	6,554	-0.5%
Provincial Revenue	**$132,555**	**$117,872**	**12.5%**

At $6.5 million in 2004/2005, revenue to charitable retailers remained essentially unchanged, down only 0.5 percent from 2003/2004.

Revenue to commercial retailers rose 6.0 percent to $34.8 million in 2004/2005, from $32.8 million the year before. During the same period, operating expenses increased 2.1 percent to $26.4 million, from $25.8 million in 2003/2004.

Provincial revenue received from VLTs amounted to $132.6 million in 2004/2005, up 12.5 percent from $117.9 million in 2003/2004. Revenue to the province represented 14.8 percent share of the total VLT wager in 2004/2005, essentially unchanged from 14.3 percent in the previous year.



Casinos

In 2004/2005, $366.4 million was wagered at Nova Scotia's Halifax and Sydney casinos, up 2.8 percent from $356.3 million in 2003/2004. It should be noted that the Alcohol and Gaming Division's classification of food and beverage revenues has been changed and, for comparability, the 2003/2004 figures have been amended to reflect this change.

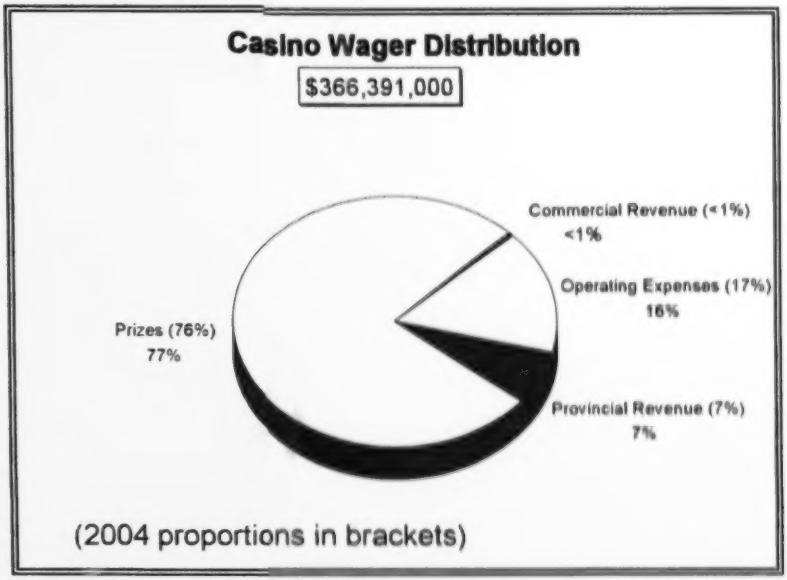
The Casino wager represented 23.5 percent of the total wager in the province in 2004/2005, compared to 24.1 percent in 2003/2004.

In 2004/2005, $281.4 million in prizes were paid out by the casinos, representing 76.8 percent of the total casino wager. Prize payouts in 2004/2005 were 4.3 percent higher than the year before.

Casino Wager Distribution
($ thousands)

	2005	2004	Change
Total Wager	$366,391	$356,255	2.8%
Prizes	281,397	269,890	4.3%
Net Revenue	$84,994	$86,365	-1.6%
Operating Expenses	58,336	60,293	-3.2%
Commercial Revenue	1,076	1,334	-19.3%
Provincial Revenue	**$25,582**	**$24,738**	**3.4%**

Casino operating expenses dipped 3.2 percent in 2004/2005 to $58.3 million, from $60.3 million in 2003/2004. Commercial revenue from the casino fell 19.3 percent to $1.1 million, while the province's share of casino revenues rose 3.4 percent to $25.6 million in 2004/2005.



Casino Nova Scotia				
	Halifax		Sydney	
	2005	2004	2005	2004
Wager ($ millions)	$288.0	$269.4	$78.4	$86.8
Revenue to Province ($ millions)	$19.9	$16.6	$5.8	$8.1
Gaming Floor Area (sq. ft)	32,000	32,000	15,000	15,000
Employees	613	752	196	248
Visitors	1,441,755	1,450,482	674,911	767,214
Slot Machines	755	755	386	375
Table Games	38	34	10	10

ALC Lotteries

The amount wagered on ALC lottery products dropped 2.8 percent in 2004/2005 to $200.5 million, down from $206.3 million the year before. Similarly, the proportion of total provincial gaming wager represented by ALC lotteries dipped to 12.8 percent in 2004/2005, from 14.0 percent in 2003/2004.

A total of $110.0 million was paid out in prizes for ALC lotteries in 2004/2005, down 4.1 percent from $114.6 million in 2003/2004. Prizes accounted for 54.9 percent of the total ALC lotteries wager, compared to 55.6 percent in 2003/2004.

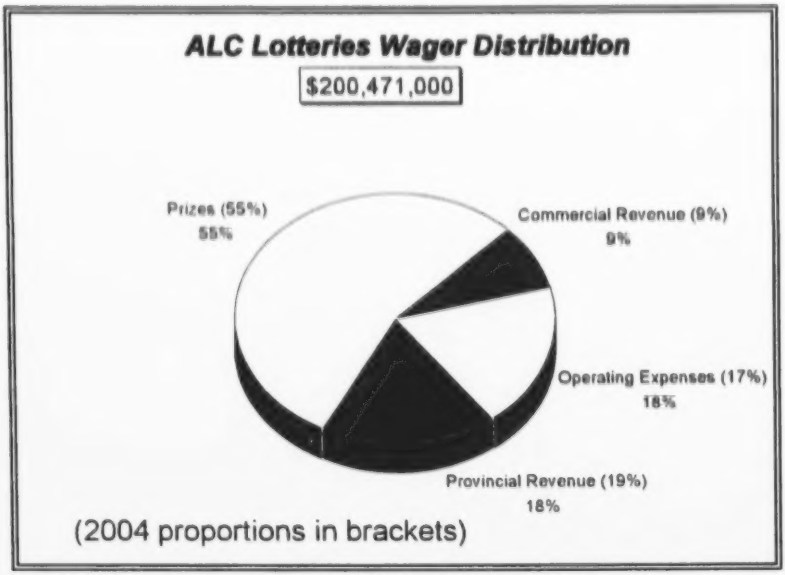
ALC Lotteries Wager Distribution
($ thousands)

	2005	2004	Change
Total Wager	$200,471	$206,281	-2.8%
Prizes	109,964	114,641	-4.1%
Net Revenue	$90,507	$91,640	-1.2%
Operating Expenses	$37,141	$34,732	6.9%
Commercial Revenue	17,292	18,484	-6.4%
Charitable Revenue	50	35	42.9%
Provincial Revenue	**$36,024**	**$38,389**	**-6.2%**

Commercial revenue declined 6.4 percent to $17.3 million in 2004/2005, from $18.4 million in 2003/2004. Provincial revenue from ALC lotteries fell 6.2 percent to $36.0 million, from $38.4 million last year. Charitable revenue from charitable break-open tickets rose 42.9 percent in 2004/2005, to $50 thousand from $35 thousand the year before.

Commercial and provincial revenue accounted for 8.6 and 18.0 percent respectively of the total ALC lotteries wager in 2004/2005, while charitable revenue constituted less than one percent.

Operating expenses for ALC lotteries in Nova Scotia were $37.1 million in 2004/2005, up 6.9 percent from $34.7 million in 2003/2004.



Bingo

The total bingo wager amounted to $73.1 million in 2004/2005, down 3.6 percent from $75.8 million in 2003/2004. At $73.0 million, charitable bingos accounted for most of the total bingo wager, while another $122 thousand was wagered at commercial bingos operating in the province.

Total Bingo Wager Distribution
($ thousands)

	2005	2004	Change
Total Wager	$73,076	$75,817	-3.6%
Prizes	55,583	57,548	-3.4%
Net Revenue	$17,493	$18,269	-4.2%
Operating Expenses	6,148	6,685	-8.0%
Charitable Revenue	10,197	10,325	-1.2%
Commercial Revenue	30	80	-62.5%
Provincial Revenue	**$1,118**	**$1,179**	**-5.2%**

Charitable Bingo

In 2004/2005, $73.0 million was wagered at charitable bingos, down 3.1 percent from $75.3 wagered in the previous year. Charities earned $10.2 million from the total charitable bingo wager, a dip of 1.2 percent from $10.3 million in 2003/2004.

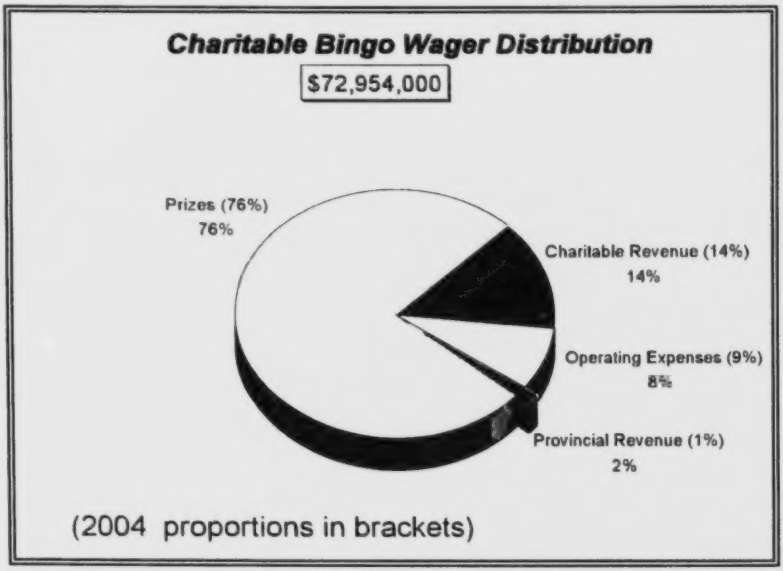
Bingo prizes amounted to $55.5 million in 2004/2005, and accounted for 76.1 percent of the total charitable bingo. The prize value awarded this year was down 3.0 percent from $57.2 million in 2003/2004.

Revenue to the province from charitable bingo fell 3.0 percent to $1.1 million in 2004/2005.

Charitable Bingo Wager Distribution
($ thousands)

	2005	2004	Change
Total Wager	$72,954	$75,322	-3.1%
Prizes	55,500	57,197	-3.0%
Net Revenue	$17,454	$18,125	-3.7%
Operating Expenses	6,147	6,656	-7.6%
Charitable Revenue	10,197	10,325	-1.2%
Provincial Revenue	**$1,110**	**$1,144**	**-3.0%**

Operating expenses represented $6.1 million of the total charitable bingo wager in 2004/2005, down 7.6 percent from $6.7 million in 2003/2004. Operating expenses accounted for 8.4 percent of the total charitable bingo wager in 2004/2005, compared to 8.8 percent the year before.



Bingo licenses can be issued by the Division for a one time event (bingo single license), or recurring events (bingo series licenses). In the fiscal year 2004/2005, the Division received financial reports for 318 bingo licenses, both single and series, compared to 330 licenses in 2003/2004.

Fifty-one percent of the 318 bingo licensees in 2004/2005 had gross receipts under $150,000, and generated 18.1 percent of the total charitable bingo wager. Conversely, 20.4 percent of charitable bingos had gross receipts exceeding $300,000, and yielded 56.3 percent of the total charitable bingo wager.

Media bingos (TV or radio bingo) posted a higher profit for charitable purposes than traditional bingos. In 2004/2005, there were 32 media bingos in operation that generated $6.1 million in wagers, compared to $5.6 million in 2003/2004. Media bingos produced revenues to their charitable or religious organizations of $2.3 million. This represents an average return of 37.5 percent (35.8 percent in 2003/2004), which is well above that of traditional bingos.

Charitable Bingo Licensees Grouped By Wager

Category	Licensees	%	Wager ($ thousands)	%
$0-50,000	38	12.0%	$978	1.3%
50,000-100,000	68	21.4%	5,163	7.1%
100,000-150,000	56	17.6%	7,106	9.7%
150,000-200,000	50	15.7%	8,658	11.9%
200,000-250,000	26	8.2%	5,851	8.0%
250,000-300,000	15	4.7%	4,170	5.7%
300,000-500,000	34	10.7%	13,249	18.2%
500,000-1,000,000	23	7.2%	16,066	22.0%
$1,000,000+	8	2.5%	11,713	16.1%
TOTALS	**318**	**100.0%**	**$72,954**	**100.0%**

Charitable Bingo Licensees Grouped By Net Profits

		Licensees By Net Profit			Average
Category	Licensees	<0%	0-15%	>15%	Net Profit
$0-50,000	38	11	20	7	3.2%
50,000-100,000	68	11	27	30	14.1%
100,000-150,000	56	4	32	20	15.1%
150,000-200,000	50	3	33	14	13.3%
200,000-250,000	26	0	14	12	18.1%
250,000-300,000	15	1	8	6	14.7%
300,000-500,000	34	0	19	15	16.8%
500,000-1,000,000	23	1	13	9	13.3%
$1,000,000+	8	1	4	3	10.0%
TOTALS	**318**	**32**	**170**	**116**	**14.0%**

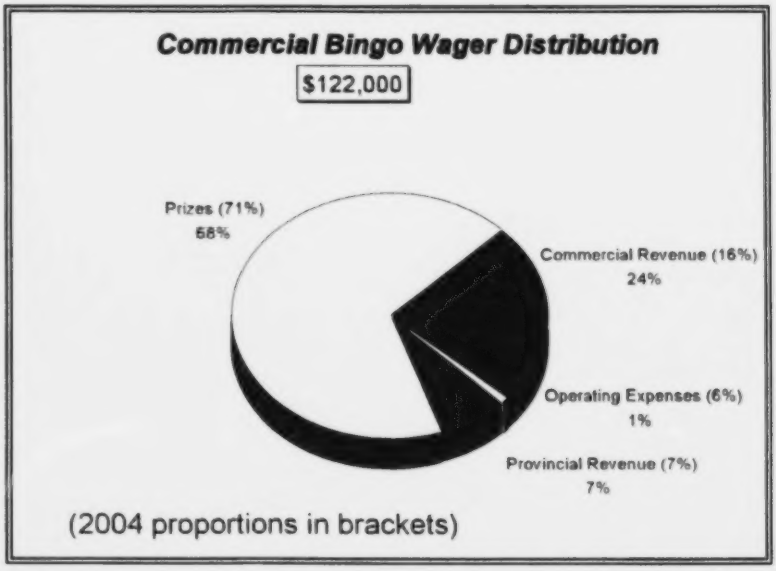
Commercial Bingo

When Nova Scotia introduced comprehensive Bingo Regulations in 1995, it included a rule that prohibited the granting of any new commercial bingo licenses. The regulations allowed existing or "grandfathered" commercial bingos to continue operations. There were two remaining commercial bingo operators in Nova Scotia in 2004/2005, compared to three in 2003/2004.

In 2004/2005, $122 thousand was wagered at commercial bingos, representing 0.2 percent of the total bingo wager. Commercial bingo operators reported profits of $30 thousand in 2004/2005, down 62.5 percent from $80 thousand reported in 2003/2004. Operating expenses amounted to one thousand dollars, down 96.6 percent from $29 thousand in 2003/2004.

Commercial Bingo Wager Distribution
($ thousands)

	2005	2004	Change
Total Wager	$122	$495	-75.4%
Prizes	83	351	-76.4%
Net Revenue	$39	$144	-72.9%
Operating Expenses	1	29	-96.6%
Commercial Revenue	30	80	-62.5%
Provincial Revenue	**$8**	**$35**	**-77.1%**


Commercial Bingo Wager Distribution
$122,000
Prizes (71%)
68%
Commercial Revenue (16%)
24%
Operating Expenses (6%)
1%
Provincial Revenue (7%)
7%
(2004 proportions in brackets)

Charitable Ticket Lotteries

The charitable ticket lotteries wager totaled $26.8 million in 2004/2005, an increase of 50.8 percent over $17.7 million in 2003/2004. The increase is largely attributed to growth in large charitable lotteries with sales exceeding $1 million, totalling $9.9 million in 2004/2005.

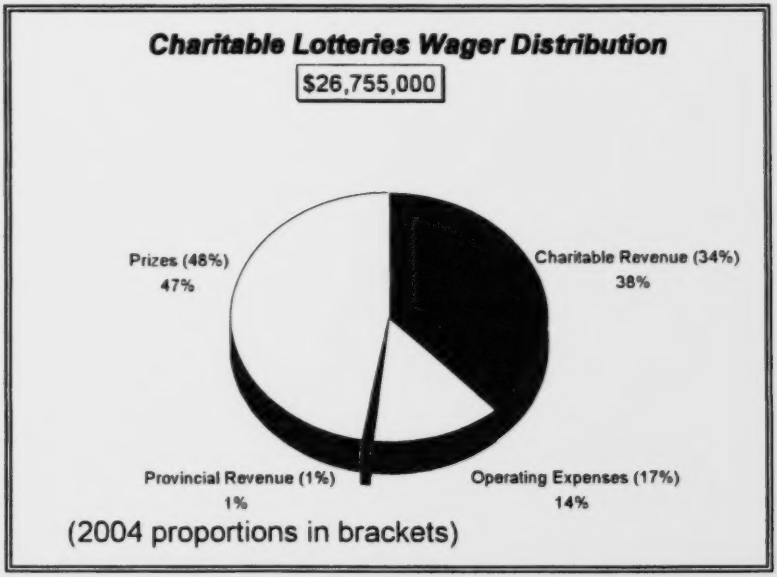
Charities earned $10.2 million from charitable ticket lotteries in 2004/2005, up 68.6 percent from $6.0 million in charitable revenue the year before. Provincial revenue rose 48.5 percent to $254 thousand in 2004/2005, from $171 thousand in 2003/2004. The charities' share of total charitable ticket lotteries wager in 2004/2005 amounted to 38.1 percent, while the province realized 0.9 percent.

Operating expenses for charitable ticket lotteries totaled $3.6 million in 2004/2005, a 20.8 percent increase from the $3.0 million reported in the previous year. Operating expenses for 2004/2005 amounted to 13.5 percent of the total charitable ticket lottery wager, compared to 16.9 percent in 2003/2004.

Charitable Lotteries Wager Distribution
($ thousands)

	2005	2004	Change
Total Wager	$26,755	$17,745	50.8%
Prizes	12,686	8,528	48.8%
Net Revenue	$14,069	$9,217	52.6%
Operating Expenses	3,623	3,000	20.8%
Charitable Revenue	10,192	6,046	68.6%
Provincial Revenue	**$254**	**$171**	**48.5%**

Prizes awarded in charitable ticket lotteries totalled $12.7 million (47.4 percent of the total charitable ticket lotteries wager), an increase of 48.8 percent from $8.5 million in 2003/2004 (48.1 percent).



In the 2004/2005 fiscal year, the Division received financial reports for 957 charitable ticket lottery licenses, compared to 696 the year before.

The majority of ticket lottery schemes in the province were small when ranked by ticket sales. Of the 957 charitable ticket lotteries, 893 (93.3 percent) reported ticket sales of $50 thousand, or less. Conversely, 15 (1.6 percent) ticket lottery operations reported sales of over $300 thousand, totalling $16.2 million of the total charitable ticket lotteries wager (60.7 percent).

Charitable lotteries remain the most efficient way to raise charitable funds. Of every dollar wagered in charitable lotteries during 2004/2005, 38.1 cents were available for charitable purposes upon the lotteries' completion, up from 34.1 cents in 2003/2004.

Charitable Lotteries Licensees Grouped By Wager

Category	Licensees	%	Wager ($ thousands)	%
$0-50,000	893	93.3%	$5,460	20.4%
50,000-100,000	35	3.7%	2,570	9.6%
100,000-150,000	6	0.6%	725	2.7%
150,000-200,000	0	0.0%	0	0.0%
200,000-250,000	8	0.8%	1,754	6.6%
250,000-300,000	0	0.0%	0	0.0%
300,000-500,000	7	0.7%	2,686	10.0%
500,000-1,000,000	6	0.6%	3,660	13.7%
$1,000,000+	2	0.2%	9,900	37.0%
TOTALS	**957**	**100.0%**	**$26,755**	**100.0%**

PROVINCIAL GAMING ACTIVITY

2005/2006

Fiscal Year 2005/2006

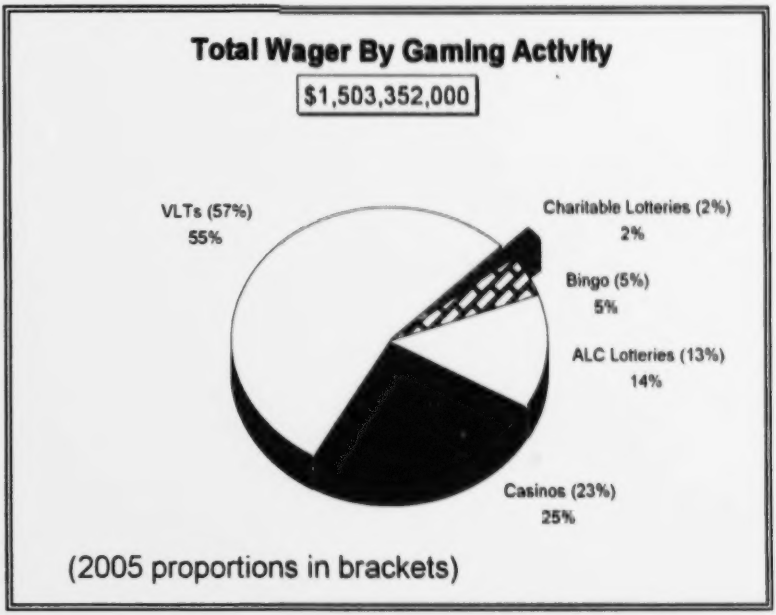
Total gaming wager in the province fell 3.7 percent to $1.50 billion in 2005/2006, from $1.56 billion in 2004/2005.

Total Wager By Gaming Activity
($ thousands)

	2006	2005	Change
VLTs	$819,962	$895,076	-8.4%
Casinos	371,077	366,391	1.3%
ALC Lotteries	210,677	200,471	5.1%
Bingo	72,290	73,076	-1.1%
Charitable Lotteries	29,346	26,755	9.7%
Total Wager	$1,503,352	$1,561,769	-3.7%
Prizes	1,109,005	1,154,477	-3.9%
Net Revenue	**$394,347**	**$407,292**	**-3.2%**

The loss in total wager is mostly attributed to an 8.4 percent reduction in VLT wager, at $75 million less than last year. Also posting a loss was bingo wager, down 1.1 percent from last year. On the positive side, total wager for charitable lotteries rose 9.7 percent, while wagers on ALC lotteries and casinos increased 5.1 percent and 1.3 percent respectively.

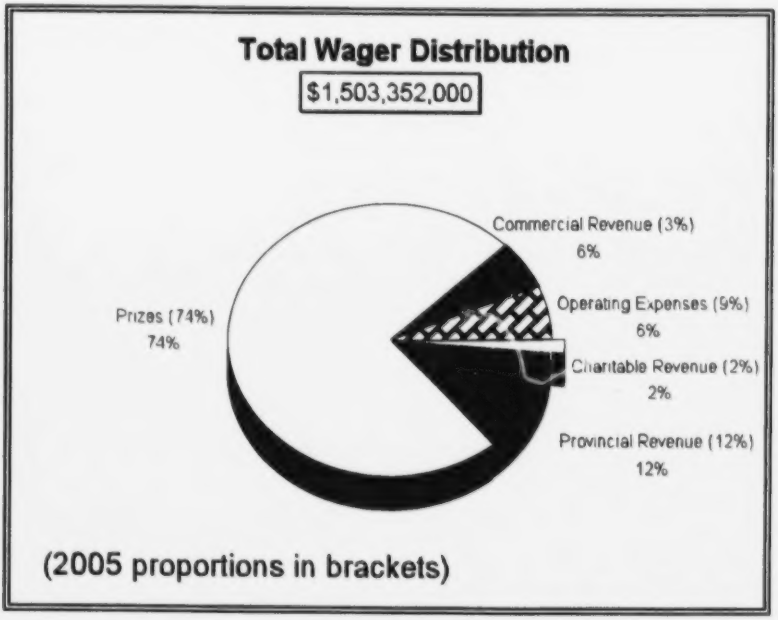
The proportion of total wager accounted for by VLTs slipped to 54.5 percent in 2005/2006, from 57.3 percent in 2004/2005. Conversely, the proportion of total wager earned by casinos rose to 24.7 percent from 23.5 percent in 2004/2005. Likewise, ALC lotteries represented 14.0 percent of the total wager, compared to 12.8 percent last year. The proportion of total wager earned by the bingos and charitable lotteries remained essentially unchanged on a year over year basis, at 4.8 and 2.0 percent respectively.



This year, provincial revenue from gaming dropped 4.8 percent to $186.2 million, from $195.5 million in 2004/2005, and accounted for 12.4 percent of the total wager. Prizes accounted for 73.8 percent of the total wager, amounting to $1.11 billion, down 3.9 percent from the previous year. Commercial revenue rose 61.0 percent to $85.6 million in 2005/2006, primarily due to accounting changes resulting from amendments to the casino operating contract. For the same reason, operating expenses dropped 28.6 percent to $94.0 million, from $131.6 million last year. At $28.6 million, charitable revenue was up 6.2 percent over the year before.

Total Wager Distribution
($ thousands)

	2006	2005	Change
Total Wager	$1,503,352	$1,561,769	-3.7%
Prizes	1,109,005	1,154,477	-3.9%
Net Revenue	$394,347	$407,292	-3.2%
Operating Expenses	93,944	131,645	-28.6%
Commercial Revenue	85,568	53,154	61.0%
Charitable Revenue	28,634	26,960	6.2%
Provincial Revenue	**$186,201**	**$195,533**	**-4.8%**



Video Lottery Terminals

In 2005/2006, VLT wager fell 8.4 percent to $820.0 million, from $895.1 million in 2004/2005. The VLT wager accounted for 54.5 percent of the total provincial gaming wager in 2005/2006, compared to 57.3 percent the year before.

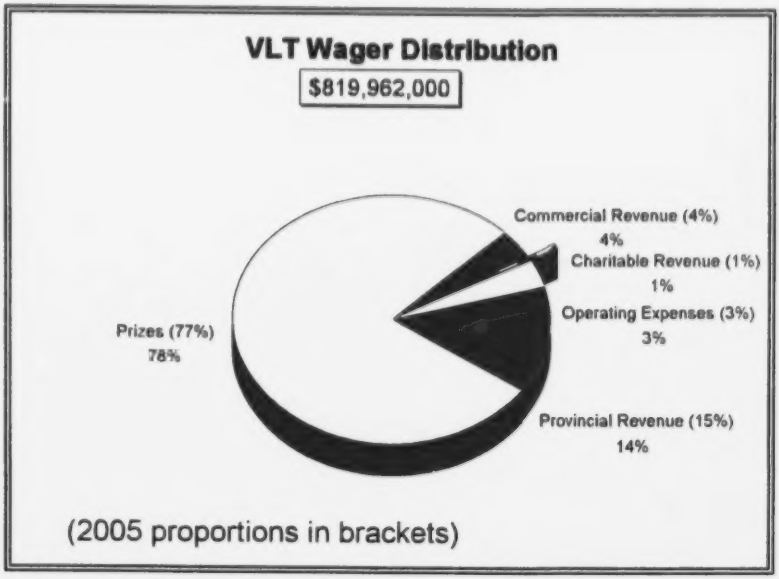
Prize payouts from VLTs totaled $637.8 million in 2005/2006, a decrease of 8.2 percent over the previous year and represented 77.8 percent of the total VLT wager.

VLT Wager Distribution
($ thousands)

	2006	2005	Change
Total Wager	$819,962	$895,076	-8.4%
Prizes	637,757	694,847	-8.2%
Net Revenue	$182,205	$200,229	-9.0%
Operating Expenses	$28,330	$26,397	7.3%
Commercial Revenue	30,706	34,756	-11.7%
Charitable Revenue	5,777	6,521	-11.4%
Provincial Revenue	**$117,392**	**$132,555**	**-11.4%**

At $5.8 million, charitable revenues from VLTs was off 11.4 percent from the previous year. Similarly, commercial revenue fell 11.7 percent to $30.7 million, from $34.8 million in 2004/2005. During the same period, operating expenses increased 7.3 percent to $28.3 million, from $26.4 million in 2004/2005.

Provincial revenue from VLTs dropped 11.4 percent to $117.4 in 2005/2006, down from $132.6 million in 2004/2005. Provincial revenue represented 14.3 percent of total VLT wager, compared to 14.8 percent in 2004/2005.


VLT Wager Distribution
$819,962,000
Commercial Revenue (4%)
4%
Charitable Revenue (1%)
1%
Operating Expenses (3%)
3%
Provincial Revenue (15%)
14%
Prizes (77%)
78%
(2005 proportions in brackets)

Casinos

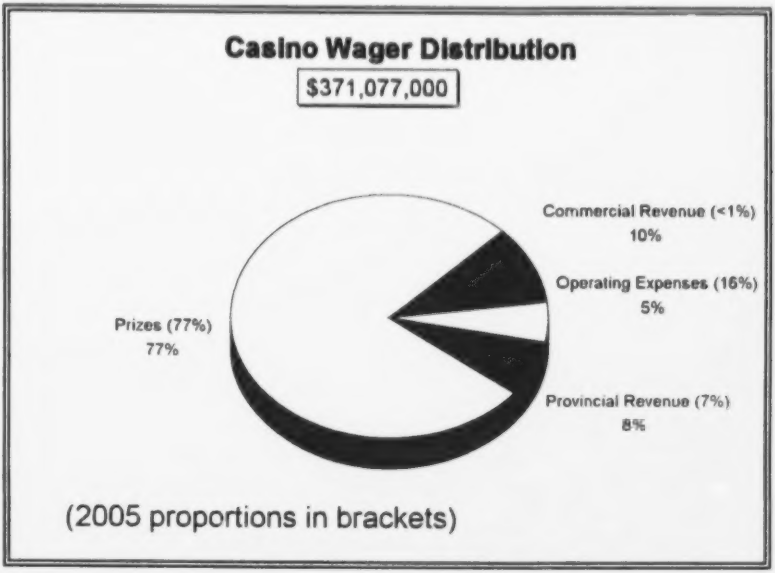
The wager at Nova Scotia's Halifax and Sydney casinos rose 1.3 percent to $371.1 million in 2005/2006, from $366.4 million last year. Casino wager accounted for 24.7 percent of the 2005/2006 total provincial wager, compared to 23.5 percent the year before.

Prize payouts at the casino inched up 1.5 percent to $285.7 million this year, representing 77.0 percent of the total casino wager. Provincial revenue from casino operations rose 8.2 percent to $27.8 million, from $25.6 million last year.

Casino Wager Distribution
($ thousands)

	2006	2005	Change
Total Wager	$371,077	$366,391	1.3%
Prizes	285,689	281,397	1.5%
Net Revenue	$85,388	$84,994	0.5%
Operating Expenses	19,808	58,336	-66.0%
Commercial Revenue	37,735	1,076	3407.0%
Provincial Revenue	**$27,845**	**$25,582**	**8.8%**

On July 1, 2005, amendments to the casino operating contract were ratified between Nova Scotia Gaming Corporation and Great Canadian Gaming Corporation (casino operator). Under the new agreement, NSGC pays the operator an increased share of casino net revenue. In return, the operator assumes full responsibility for certain operating expenses, whereas in the past these costs were shared with NSGC. The amendments resulted in commercial revenue increasing to 37.8 million this year from $1.1 million last year, while operating expenses dropped to $19.8 million from $58.3 million in 2004/2005.



Casino Nova Scotia

	Halifax		Sydney	
	2006	**2005**	**2006**	**2005**
Wager ($ millions)	$294.9	$288.0	$76.1	$78.4
Revenue to Province ($ millions)	$20.1	$19.9	$7.7	$5.8
Gaming Floor Area (sq. ft)	34,000	32,000	15,000	15,000
Employees	670	613	204	196
Visitors	1,311,656	1,441,755	575,142	674,911
Slot Machines	702	755	380	386
Table Games	40	38	10	10

ALC Lotteries

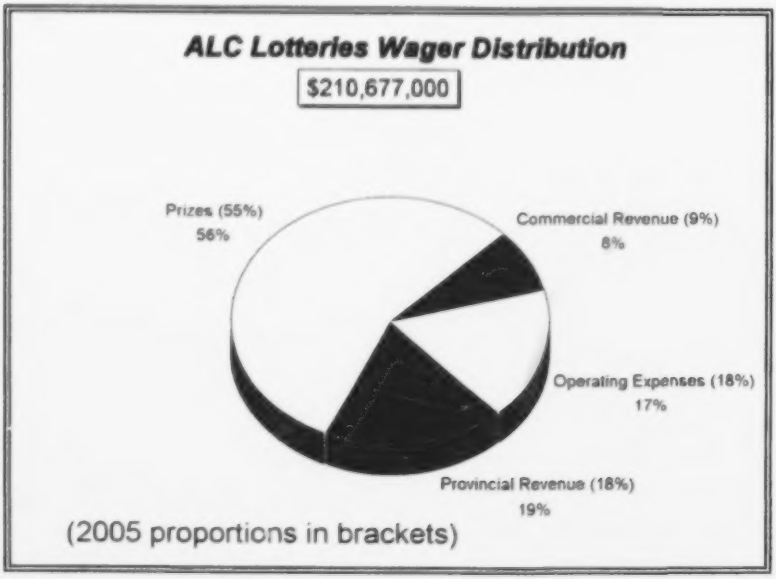
Total wager for ALC lotteries rose to $210.7 million this year, up 5.1 percent from $200.5 million the previous year. The share of total provincial wager accounted for by ALC lotteries increased to 14.0 percent this year, from 12.8 percent in 2004/2005.

Prizes paid out for ALC lotteries in 2005/2006 increased 6.9 percent to $117.6 million, from $110.0 million in 2004/2005. Prizes represented 55.8 percent of total ALC lotteries wager, compared to 54.9 percent in 2004/2005.

ALC Lotteries Wager Distribution
($ thousands)

	2006	2005	Change
Total Wager	$210,677	$200,471	5.1%
Prizes	117,603	109,964	6.9%
Net Revenue	$93,074	$90,507	2.8%
Operating Expenses	$36,308	$37,141	-2.2%
Commercial Revenue	17,112	17,292	-1.0%
Charitable Revenue	53	50	6.0%
Provincial Revenue	**$39,601**	**$36,024**	**9.9%**

Operating expenses for ALC lotteries in Nova Scotia dipped 2.2 percent to 36.3 million, down from $37.1 million in 2004/2005. Commercial revenue slipped 1.0 percent to $17.1 million in 2005/2006, from $17.3 million in 2004/2005. Charities gained an additional 6.0 percent of revenue this year, amounting to $53 thousand. Provincial revenue from ALC lotteries jumped 9.9 percent to $39.6 million, from $36.0 million last year.


ALC Lotteries Wager Distribution
$210,677,000
Prizes (55%)
56%
Commercial Revenue (9%)
8%
Operating Expenses (18%)
17%
Provincial Revenue (18%)
19%
(2005 proportions in brackets)

Bingo

At $72.3 million, total bingo wager was off 1.1 percent from last year's amount of $73.1. Charitable bingos accounted for $72.2 million of the total bingo wager in 2005/2006, while another $68 thousand was wagered at commercial bingos.

Total Bingo Wager Distribution
($ thousands)

	2006	2005	Change
Total Wager	$72,290	$73,076	-1.1%
Prizes	54,298	55,583	-2.3%
Net Revenue	$17,992	$17,493	2.9%
Operating Expenses	5,937	6,148	-3.4%
Charitable Revenue	10,950	10,197	7.4%
Commercial Revenue	15	30	-50.0%
Provincial Revenue	**$1,090**	**$1,118**	**-2.5%**

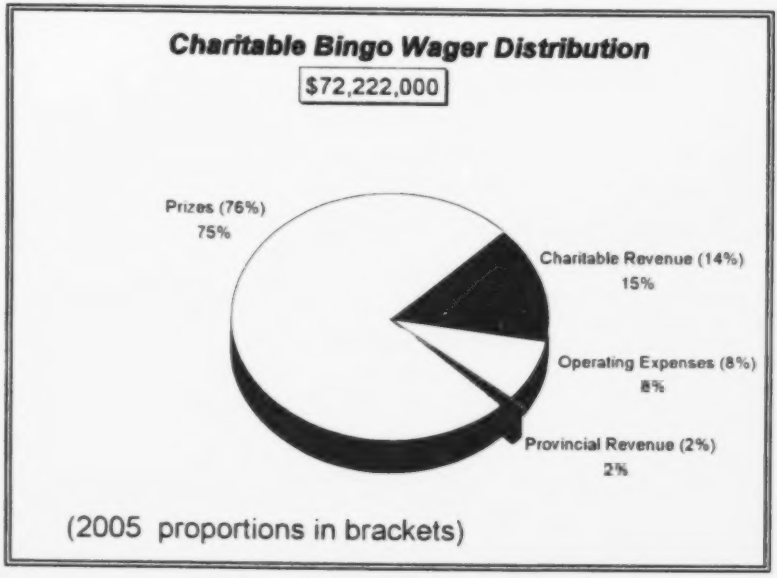
Charitable Bingo

Total charitable bingo wager slid 1.0 percent to $72.2 million in 2005/2006, from 73.0 million last year. However, charitable revenue rose 7.4 percent to $10.9 million this year, compared to earnings of $10.2 million last year. The rise in charitable revenue is partly due to lower operating costs, which were down 3.4 percent to $5.9 million, from $6.1 million in 2004/2005.

Bingo prizes amounted to $54.3 million in 2005/2006, and accounted for 75.1 percent of the total charitable bingo. The prize value awarded this year was down 2.3 percent from $55.6 million in 2004/2005.

Charitable Bingo Wager Distribution
($ thousands)

	2006	2005	Change
Total Wager	$72,222	$72,954	-1.0%
Prizes	54,250	55,500	-2.3%
Net Revenue	$17,972	$17,454	3.0%
Operating Expenses	5,937	6,147	-3.4%
Charitable Revenue	10,950	10,197	7.4%
Provincial Revenue	**$1,085**	**$1,110**	**-2.3%**



In the fiscal year 2005/2006, financial reports were received from 300 bingo licensees, compared to 330 licensees in 2004/2005. Forty-six percent of the 300 bingo licensees in 2005/2006 had gross receipts under $150,000, and generated 15.9 percent of the

total charitable bingo wager. Conversely, 23.3 percent of charitable bingos had gross receipts exceeding $300,000, and yielded 58.4 percent of the total charitable bingo wager.

In 2005/2006, there were 30 media bingos (TV or radio bingo) that generated $6.2 million in wagers, compared to 32 media bingos with total wager of $6.1 million last year. Charitable revenue from media bingos amounted to $2.5 million this year, representing an average return of 41.0 percent.

Charitable Bingo Licensees Grouped By Wager

Category	Licensees	%	Wager ($ thousands)	%
$0-50,000	32	10.7%	$654	0.9%
50,000-100,000	55	18.3%	4,196	5.8%
100,000-150,000	52	17.3%	6,602	9.1%
150,000-200,000	54	18.0%	9,400	13.0%
200,000-250,000	20	6.7%	4,561	6.3%
250,000-300,000	17	5.7%	4,602	6.4%
300,000-500,000	39	13.0%	14,775	20.5%
500,000-1,000,000	23	7.7%	16,314	22.6%
$1,000,000+	8	2.7%	11,117	15.4%
TOTALS	**300**	**100.0%**	**$72,221**	**100.0%**

Charitable Bingo Licensees Grouped By Net Profits

		Licensees By Net Profit			Average
Category	**Licensees**	**<0%**	**0-15%**	**>15%**	**Net Profit**
$0-50,000	32	14	14	4	0.9%
50,000-100,000	55	5	24	26	14.6%
100,000-150,000	52	2	30	20	17.7%
150,000-200,000	54	5	26	23	16.1%
200,000-250,000	20	0	12	8	16.9%
250,000-300,000	17	1	9	7	12.6%
300,000-500,000	39	1	17	21	20.2%
500,000-1,000,000	23	0	17	6	12.1%
$1,000,000+	8	0	5	3	12.0%
TOTALS	**300**	**28**	**154**	**118**	**15.2%**

Commercial Bingo

In 2005/2006, there was only one remaining commercial bingo in Nova Scotia, compared to two in 2004/2005. A total of $68 thousand was wagered at commercial bingo, with $48 thousand paid out as prizes. Commercial revenue amounted to $15 thousand, while another $5 thousand went to provincial revenue.

Commercial Bingo Wager Distribution
($ thousands)

	2006	2005	Change
Total Wager	$68	$122	-44.3%
Prizes	48	83	-42.2%
Net Revenue	$20	$39	-48.7%
Operating Expenses	0	1	-100.0%
Commercial Revenue	15	30	-50.0%
Provincial Revenue	**$5**	**$8**	**-37.5%**

Charitable Ticket Lotteries

The wager on charitable ticket lotteries increased 9.7 percent to $29.4 million in 2005/2006, from $26.8 last year. The increase is largely attributed to growth in large charitable lotteries with sales exceeding $1 million, totalling $13.4 million in 2005/2006.

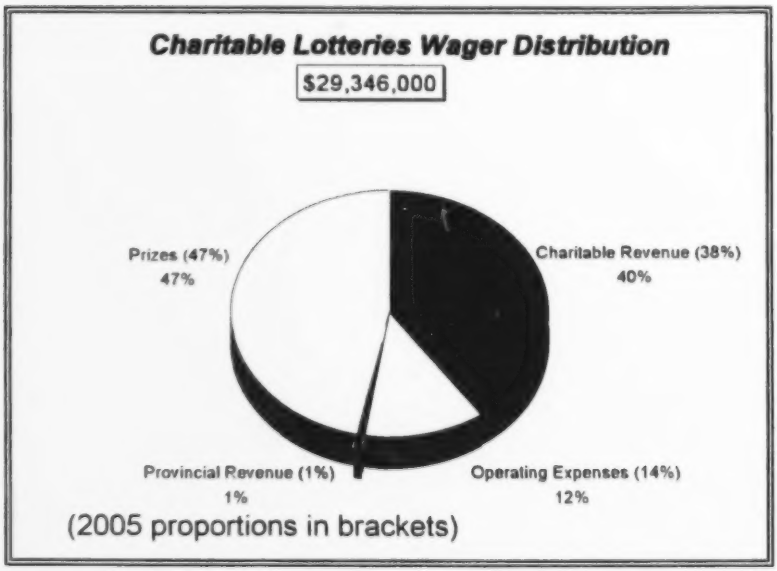
Prizes awarded in charitable ticket lotteries totalled $13.7 million and accounted for 46.5 percent of total charitable ticket lotteries wager. Last year, prizes amounted to 12.7 million, and represented 47.4 percent of the charitable ticket lotteries wager.

Charitable revenue rose 16.3 percent to $11.8 million, from $10.2 million in 2004/2005 Provincial revenue amounted to $273 thousand this year, up 7.5 percent from $254 thousand the previous year. Charitable revenue represented 40.4 percent of total charitable ticket lotteries wager, while the province realized 0.9 percent.

At $3.6 million, operating expenses for charitable ticket lotteries this year were essentially unchanged from the level in 2004/2005. Operating expenses accounted for 12.1 percent of the total charitable ticket lottery wager, compared to 13.5 percent last year.

Charitable Lotteries Wager Distribution
($ thousands)

	2006	2005	Change
Total Wager	$29,346	$26,755	9.7%
Prizes	13,658	12,686	7.7%
Net Revenue	$15,688	$14,069	11.5%
Operating Expenses	3,561	3,623	-1.7%
Charitable Revenue	11,854	10,192	16.3%
Provincial Revenue	**$273**	**$254**	**7.5%**



In 2005/2006, financial reports were received from 1,055 charitable ticket lottery licensees, compared to 957 last year. Of the 1,055 charitable ticket lotteries, 987 (93.6 percent) reported ticket sales of $50 thousand, or less. Conversely, 12 (1.1 percent) ticket lotteries reported sales of over $300 thousand, totalling $17.7 million, or 60.2 percent, of the total charitable ticket lotteries wager.

Charitable Lotteries Licensees Grouped By Wager

Category	Licensees	%	Wager ($ thousands)	%
$0-50,000	987	93.6%	$6,125	20.9%
50,000-100,000	38	3.6%	2,616	8.9%
100,000-150,000	11	1.0%	1,325	4.5%
150,000-200,000	1	0.1%	170	0.6%
200,000-250,000	4	0.4%	891	3.0%
250,000-300,000	2	0.2%	545	1.9%
300,000-500,000	7	0.7%	3,085	10.5%
500,000-1,000,000	2	0.2%	1,170	4.0%
$1,000,000+	3	0.3%	13,420	45.7%
TOTALS	**1,055**	**100.0%**	**$29,347**	**100.0%**

Province	**CANADIAN JURISDICTIONAL GAMING COMPARISON** Agencies Involved	Casinos	VLTs
NL	**Government Services & Lands, Trade Practices & Licensing Division** Atlantic Lottery Corporation		✔
PE	**PEI Lotteries Commission** **Office of Attorney General for Charitable Gaming** Atlantic Lottery Corporation		✔
NS	**Nova Scotia Alcohol and Gaming Division** Nova Scotia Gaming Corporation Atlantic Lottery Corporation	✔	✔
NB	**New Brunswick Department of Public Safety** Lotteries Commission of New Brunswick Atlantic Lottery Corporation		✔
QC	**Régie des alcools, des courses et des jeux** Société des loteries du Québec	✔	✔
ON	**Alcohol and Gaming Commission of Ontario** Ontario Lottery and Gaming Corporation Ontario Racing Commission	✔	✔
MB	**Manitoba Gaming Control Commission** Manitoba Lotteries Corporation	✔	✔
SK	**Saskatchewan Liquor and Gaming Authority** Saskatchewan Gaming Corporation	✔	✔
AB	Ministry of Gaming **Alberta Gaming and Liquor Commission** Alberta Gaming Research Council	✔	✔
BC	**BC Gaming Policy and Enforcement Branch** British Columbia Lottery Corporation	✔	
NT	**Consumer Services, Community Operations**		
YT	**Consumer Services, Department of Justice** Yukon Lottery Commission	✔	
NU	**Department of Community, Government & Transportation (Consumer Affairs Section)**		

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